

Aga Khan Foundation (United Kingdom)

Report of Council and Financial Statements

31 December 2021

Registered Number 01100897

Registered Charity Number 266518

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Report of the Council

The members of the Council, who are also directors for Companies Act purposes, present their annual report and the audited financial statements of the Aga Khan Foundation (United Kingdom) (hereinafter “charitable company” or “AKF (UK)”) for the year ended 31 December 2021. The Council has adopted the provisions of the Statement of Recommended Practice (SORP) “Accounting & Reporting by Charities” in preparing the annual report and financial statements.

Reference and administrative information

Members of the Council

The members of the Council during the year to 31 December 2021 were:

His Highness the Aga Khan
Prince Ayn Mohamed Aga Khan
Prince Rahim Aga Khan
Princess Zahra Aga Khan
Alan Abela
Jane Piacentini-Moore

National Committee

The Council are supported by a National Committee, whose members (who are not directors) at 31 December 2021, were:

Mahmood H. Ahmed	Chairman
Abyd Karmali	Vice Chairman
Salimah Currimbhoy	
Naushad Jivraj	
Faiza Lalji	
Dr. Gurdofarid Miskinzoda	
Munira Nathoo	
Dr. Nacim Pak-Shiraz	
Shainila Pradhan	

Secretary

Habib Motani

Chief Executive Officer

Dr. Matthew Reed

Senior Management

The members of Senior Management at 31 December 2021, were:

Jasmin Jahanshahi
Christina Jorgensen
Gradleigh Ruderham
Christopher Wilton-Steer

Registered office

3 Cromwell Gardens, London SW7 2HB

Registered auditor

Crowe UK LLP
55 Ludgate Hill, London EC4M 7JW

Bankers

Lloyds Bank plc
39 Threadneedle Street, London EC2R 8AU

Report of the Council *(continued)*

Structure, governance and management

Governing document

Aga Khan Foundation (United Kingdom) is a company limited by guarantee and having share capital, incorporated on 9 March 1973, and registered as a charity, in England and Wales on 4 December 1973. The objects and powers of AKF (UK) were established in its Memorandum of Association and are governed by its Articles of Association.

Appointment

The members of the Council who held office during the financial year and at the date of this report are set out on page 1. As set out in the Articles of Association, the members of the Council (other than His Highness the Aga Khan) are appointed by the holder(s) of a simple majority of the issued shares in the capital of AKF (UK).

The Council are supported by the National Committee for governance and supervision of AKF (UK). The National Committee is appointed by the Council. The names of the members of the National Committee are set out on page 1.

Induction and training

New members of the Council review written materials and undergo an informal orientation to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the decision making processes, the objectives and strategies, and the recent financial performance of AKF (UK).

The current members of the Council have acquired in-depth knowledge of the work of AKF (UK) and the Aga Khan Development Network (hereinafter “AKDN”) as a whole. The annual international Aga Khan Foundation budget meeting involves the production of comprehensive information, including a progress report on all significant activities, an update on performance against annual budgets and an update on the programmes. Additional information is submitted to the Council regularly throughout the year, to ensure they are kept abreast of key developments. Additional meetings on specific topics of concern to the Council are scheduled on an as-needed basis. This process ensures that the Council are kept abreast of the on-going activities of AKF (UK) and has a strong understanding of the relationships and transactions with related parties of AKF (UK) within the AKDN. In view of this, no additional on-going training for the members of the Council is needed.

The National Committee was re-appointed on 1 September 2020. When new National Committee members are appointed, a formal induction is arranged. New members are briefed about how AKF (UK) engages in its different roles, its objectives and the role of the National Committee to help achieve those objectives. The National Committee comprises members representing a mix of skills including management, accounting, legal and communications.

Organisation

The Council, which can have up to seven members, governs AKF (UK). A Chief Executive Officer (CEO) is appointed by the Council to manage the day-to-day operations of AKF (UK). The Council meets annually, with meetings of its sub-committees throughout the year, and is supported by the National Committee, as stated above, in the governance and supervision of AKF (UK). Day-to-day running and management of AKF (UK) has been delegated by the Council to the CEO who, in addition to reporting to the Council, also reports to the General Manager of the Aga Khan Foundation in Geneva and the National Committee.

The National Committee has established a sub-committee to support the finance and administration of AKF (UK). This sub-committee meets monthly. The skills and experience of this Finance Committee have helped AKF (UK) in achieving its objectives.

As a member of the AKDN, AKF (UK) draws upon the experience of the wider AKDN network. However, it has stand-alone operating policies and procedures.

The CEO and Heads of Departments are considered to be the senior management personnel of AKF (UK). The remuneration of the CEO is recommended to the Council by the General Manager and leadership of the Aga Khan Foundation in Geneva and in consultation with the National Committee. This process includes benchmarking against the UK charities and development sector, benchmarking across AKDN agencies and other international development charities worldwide and consideration of the CEO's depth of experience in the sector and role.

Interests of members of the Council

No member of the Council had, at any time during the year, any interests in any shares of AKF (UK) which would require disclosure within this report.

Report of the Council *(continued)*

Charity Governance Code

The Charity Governance Code was updated in March 2021 and is designed as a tool to support continuous improvement of an organisation's governance. The Council has reviewed the Code and its key principles and is happy that the governance of AKF (UK) is in line with the Code.

Objectives and Activities

Principal activities

AKF (UK) is registered as a charity in England and Wales, is an affiliate of the international Aga Khan Foundation, and is part of the Aga Khan Development Network. The members of the Council confirm that they have had regard to the Charity Commission guidance on public benefit when reviewing and setting AKF (UK)'s aims and objectives. Its principal activities are social development, institutional development and social activities. These activities promote and provide for the advancement of education, health, rural development, the environment and support to civil society.

Fundraising

AKF (UK)'s fundraising activities are substantially directed at government agencies and institutions and not at the general public. Whilst AKF (UK) receives unrestricted income from individuals it does not actively fundraise for this and as such no special measures are required to protect vulnerable people and other members of the public from unreasonable intrusion or behaviour. AKF (UK) organises events to increase awareness of its and the AKDN's activities, and donations are often received following such events. In the context of significant events or initiatives relating to the AKDN or the Ismaili community, supporters sometimes choose to make donations to AKF (UK). In many years individuals enter charity runs or similar events selecting AKF (UK) as their chosen beneficiary. AKF (UK) itself also holds a charity walk and run in some years. AKF (UK) is not registered with the Fundraising Regulator. Any fundraising activities that take place are carried out by AKF (UK) staff or volunteers and no complaints were received relating to them during the year.

Grant-making policy

AKF (UK) seeks to promote sustainable and equitable social development by encouraging innovative approaches to a range of development challenges in the fields of education, health, rural development, the environment and civil society, and by supporting these approaches through grants to organisations that share its goals. AKF (UK) does not accept applications for grants, but instead works collaboratively with partner organisations to develop proposals for donors and then acts as the prime agency in making grants to the partner organisations. These partner organisations are primarily agencies of AKDN and organisations selected by those agencies in the field based on common values, approaches, goals and objectives. AKF (UK) works very closely with these grantees in the design, implementation and monitoring of projects. The aim is to create a critical mass of focused and innovative activities, complementing each other within and across sectors, in order to make a significant contribution to social development and improving quality of life.

Social development

The primary role of AKF (UK) in the area of social development is to act as an interface between institutional and private donors on the one hand and the range of projects implemented by AKDN agencies on the other hand. It represents the agencies of AKDN to partner governments and institutions in Europe, the Middle East, and Asia, as well as to multilateral agencies in those regions. Principal activities are the development of long-term, strategic relationships with institutional donors, securing resources for projects implemented by AKDN agencies, managing and reporting on grants, and other associated liaison between institutional donors and implementing agencies. AKF (UK) has established long term relationships with significant partners such as: Asian Development Bank, European Commission (EC), the UK's Foreign, Commonwealth & Development Office (FCDO), German Development Cooperation, the Swiss Development Cooperation, French Development Cooperation, Japan International Cooperation Agency, Children's Investment Fund Foundation, IKEA Foundation, Lego Foundation, Porticus Foundation, Johnson & Johnson (J&J) and various other charities, foundations and government agencies through Memoranda of Understanding, grant contracts, or their equivalent.

Institutional development

In furtherance of AKF (UK)'s educational charitable objectives, AKF (UK) makes high quality educational space and facilities available to The Institute of Ismaili Studies (IIS) and the Aga Khan University-Institute for the Study of Muslim Civilisations (ISMC) at the Aga Khan Centre in King's Cross London, the building which houses AKF (UK)'s offices. In addition, AKF (UK)'s nearby Victoria Hall building provides accommodation for higher education students, many of whom are attending programmes at IIS or ISMC.

Report of the Council *(continued)*

Strategic Report

Social development achievements and performance

AKF (UK) assesses its performance and impact in the area of social development primarily through annual targets for raising funds, as well as monitoring the spending rates, quality of implementation, and compliance of the projects it supports. In addition, AKF (UK) sets annual targets for proposal development and donor cultivation, grants management, and communications and public affairs. These are reported on a quarterly basis to the Aga Khan Foundation Geneva and to the Chair of the National Committee.

In 2021, AKF (UK) secured 12 grants at a total of £24.5 million to support AKDN and partner programmes primarily in Asia and Africa. The largest grant, for £13.9 million, was secured from the European Commission.

In addition, AKF (UK) helped other AKDN agencies secure significant grants from European donors with whom AKF (UK) has the primary relationship. A further £41.2 million was obtained for these AKDN agencies from a wide range of partners including the EC, the UK, French, German, Norwegian and Swiss Government institutions as well as from foundation and corporate donors. Of particular relevance in 2021, AKF (UK) helped the Aga Khan Foundation in Afghanistan secure £4.2 million in new grants for AKF's Humanitarian Response in Afghanistan.

The Taliban takeover of Afghanistan in mid-August 2021, led to some donors suspending AKF (UK)'s grants in Afghanistan. This is particularly the case for German-funded grants, as well as two grants supported by the European Commission. AKF (UK) carried out a legal review across its entire portfolio in Afghanistan, which concluded that the nature of our work, and the sectors of focus, all meet the definition of humanitarian and basic human needs. As none of them involve support to listed, sanctioned individuals and regular checks are made against these lists, they are therefore fully compliant with all major sanctions regimes against Afghanistan. AKF is intensely engaging with the international donor community to secure funding for AKF's Humanitarian Response Plan. Before the end of 2021 such engagement led to AKF securing new funds around humanitarian support and basic human needs from the Swiss, the Indonesians, Luxembourg (via the PATRIP Foundation) and the World Health Organisation.

Despite the challenges in Afghanistan, 2021 was a year of significant activity and achievement. A few examples include:

- In Afghanistan, since the start of the humanitarian crisis, over 1,200 tonnes of food have been distributed to 2,350 households or 23,500 people in vulnerable communities in the remote northern and central parts of the country. To ensure even distribution across communities, manuals were developed for use by village leaders that provide practical advice for coordinating food distribution.
- The STAGES II and LNGB+ programmes under the Girls Education Challenge in Afghanistan were paused by FCDO in mid-August. STAGES II implementation was complete prior to the pause, and final reporting has been completed since then. Through STAGES II, 23,000 girls had received education assistance. Over 500 government schools were supported, benefiting 210,000 girls overall. Over 7,600 teachers were trained and the project also engaged with community members and parents of the 23,000 girls to ensure a supportive environment for girls to attend school. In 2022, following FCDO approval, the LNGB+ project is in the process of re-starting, with FCDO granting permission for payment of staff and teachers' salaries during the pause. Once re-activated, LNGB+ will continue to provide education opportunities for 5,000 highly marginalised girls living in 230 remote communities, alongside a package of life skills trainings and psychosocial support.
- 2021 was a landmark year for Schools2030, a 10-year partnership between AKF (UK) and a coalition of other private foundations and leaders in international early childhood development and education. These include the following organisations: Dubai Cares, Jacobs Foundation, LEGO Foundation, OAK Foundation, Porticus and others. The programme launched the three-step model with teachers, schools and youth partners across ten countries, supporting educators to assess holistic learning outcomes and environments; to innovate contextually relevant learning practices using human-centred design; and to showcase these holistic learning innovations at district, national and global levels to inform systems-level decision makers in education. This was all done amidst unprecedented challenges for AKF schools and communities, including ongoing waves of COVID-19, lengthy school closures and the humanitarian crisis in Afghanistan. Teams and partners continued to support children and educators in their greatest time of need with flexible, respectful, and sustained support.

Report of the Council *(continued)*

- One of AKF's signature initiatives, "Accelerate Prosperity" (AP), is funded by the European Commission through AKF (UK). It helped create and sustain 1,281 jobs, of which 504 were new jobs, 40% of which were for women and 60% were occupied by young people. 398 entrepreneurs (61% men and 39% women) were supported with business training and advice. 47 businesses were financed under the project, 31 start-ups received seed financing and 16 businesses received growth financing. \$3.3 million of external funding was secured by supported businesses, while \$0.9 million was received through AP financing. In addition, 85 percent of the enterprises AP supports in Afghanistan, Kyrgyzstan, Pakistan, and Tajikistan remained profitable.
- In Madagascar, AKF (UK) started a new 3-year project funded by the European Commission called SANIDA, focusing on improving food security and nutrition through agroecological intensification and diversification. The SANIDA project is part of a wider EU regional (Indian Ocean) programme and is being implemented in three regions in the northern part of the country. It is expected to benefit 60,000 people and will target 10,000 family farms, 50% of which are run by women.

Institutional development achievements and performance

In 2021 AKF (UK) made institutional development grants totalling £5.6m primarily to the Aga Khan Foundation Geneva and the Aga Khan University. AKF (UK) also provided high quality educational space and facilities to The Institute of Ismaili Studies (IIS) and the Aga Khan University-Institute for the Study of Muslim Civilisations (ISMC) and also provided accommodation for higher education students, many of whom are attending programmes at IIS or ISMC

IIS is a higher education and academic research institute, established in 1977 to promote scholarship and learning about Muslim cultures and societies. IIS aims to contribute to the academic study of the diversity of Islam as a faith and as a civilisation, by addressing intellectual and practical issues both historically and in the present context. IIS offers two Masters level taught programmes. Both programmes of study draw on teaching faculty from its research department as well as visiting scholars from leading national and international academic institutions. IIS' graduate programmes, as well as its range of doctoral scholarships and fellowships, attract students and scholars from across the world.

ISMC was founded in 2002, as an educational and research unit within the international Aga Khan University. ISMC is an inter-disciplinary institute, carrying out internationally recognised scholarship, education and outreach in the humanities and social sciences on Muslim societies and cultures. ISMC promotes scholarship that opens new perspectives on Muslim heritage, modernity, culture, religion, and society. It offers a Masters level taught programme in Muslim Cultures.

Section 172(1) statement

The members of the Council have regular discussions on and are satisfied that all key decisions taken have considered the long-term impact of such decisions and the impact on AKF (UK)'s donors, implementing partners, employees and the communities that we work in and with. AKF (UK) takes great care to ensure its activities are implemented in a collaborative manner and will deliver impactful change in the long-term. Our activities are also aligned to the Charity Governance code.

Statement of engagement with suppliers, customers and others in a business relationship with the company

The members of the Council consider that maintaining collaborative business relationships is a key factor for AKF (UK) in order for us to continue to meet our strategic goals. This is especially true when it comes to our relationships with our grant-giving donors and the implementing partners with whom we work in partnership. AKF (UK) strives to ensure that all decisions taken on our programmes are taken in alignment with the wishes and regulations of those who fund them and taking into consideration the interests of those who are responsible for programme delivery, as we feel this is the most effective and efficient way of achieving lasting change for the communities that we work with.

Report of the Council *(continued)*

Streamlined Energy and Carbon Reporting

In 2021 AKF (UK) used 5,544,437 Kwh of energy (2020 - 5,004,851 Kwh), this equated to a carbon footprint of 720 tonnes CO² (2020 - 756 tonnes CO²). This represents a carbon intensity ratio of 0.27 tonnes CO² per m². UK energy use covers the provision of electricity and heating at the Aga Khan Centre and Victoria Hall, which are both located in the Kings Cross estate. It also includes electricity and gas consumption related to the seventeen social and cultural centres owned by AKF (UK).

There has been an increase in usage of 539,585 kWh from 2020. This has been driven firstly by a greater presence in each of the properties, but also by the addition of five new Jamatkhana which were acquired during the year. Despite the increase in usage, the average emissions per property have reduced as each component of AKF (UK)'s portfolio has sought greener solutions including both the Aga Khan Centre and Victoria Hall transitioning to 100% renewable electricity contracts. Data on energy usage was collected directly from billing information and where available, information collected in kWh was converted at the rate disclosed by the supplier. In the absence of this, emissions were converted using the UK Government's 2021 GHG Conversion Factors.

Financial review

During the year AKF (UK)'s fixed assets decreased by 1% from £180.6m to £179.7m, cash increased by 17% from £35.7m to £41.7m and total reserves increased by 1% from £215.4m to £218.0m. In the opinion of the members of the Council, adequate assets are available to fulfil the obligations of AKF (UK). A summary of the result of AKF (UK)'s activities during the period is given in the Statement of Financial Activities on page 13.

Income

During the year, the total income decreased by 4% to £56.9m (2020: *increased by 31% to £59.0m*). This was driven principally by a decrease in social and cultural centres due to 2020 being abnormally high due to a large gift in kind donation. In 2021 the social development income was £37.8m (2020: *£37.9m*).

The majority of social development income is from grants, which decreased by 7% to £31.6m (2020 *increase by 35% to £33.8m*). Agreements with main funders are on-going and underpin the successful resource mobilisation strategy that has enabled AKF (UK) to secure significant levels of funding for AKDN projects around the world. Maintaining on-going relationships with major donors and establishing new partnerships are critical to AKF (UK)'s success and sustainability. These relationships should ensure the future strength of AKF (UK)'s income for social development purposes against a backdrop of continuing financial austerity among donor institutions. The income recognised in the Statement of Financial Activities represents the proportion of multi-year grants that were recognised in 2021 according to the accounting policies set out in note 1 to the accounts, and so does not correspond to the total value of grants secured and signed in the year.

Expenditure

In 2021, total expenditure increased by 21% to £54.4m (2020: *decreased by 22%*) as a result of increased expenditure on both social development and institutional development activities.

The most significant expenditure related to social development programmes of which £39.5m (2020: *£32.7m*) was disbursed during the year, benefiting projects implemented by AKDN institutions around the world. For international programmes supported directly through AKF (UK) in 2021, resources expended contributed to significant efforts in education, early childhood development, agriculture and food security, health and nutrition, civil society, energy and culture. The largest programmes were implemented in Afghanistan, where £13.6m project expenditure was made (2020: *£12.3m*), in particular on projects funded by FCDO and the EC (note 7).

The other main category of resources expended was institutional development programmes amounting to £14.3m (2020: *£10.8m*). This mainly consists of funding for the Aga Khan Foundation, Geneva and funding for the Aga Khan University (note 8). The main reason for the increase was that a one-off grant of £3.0m was made to the Aga Khan Foundation, Geneva for various projects funded from donations received in commemoration of the Golden Jubilee of His Highness, the Aga Khan.

The core costs of managing AKF (UK) and administering the resource mobilisation and grants management functions decreased to £1.9m (2020: *£2.2m*). These core costs are primarily funded by the Aga Khan Foundation Geneva. All donation income is applied to AKF (UK)'s charitable objectives, specifically to programme expenditure on social development and institutional development projects.

Report of the Council *(continued)*

Reserves policy

AKF (UK) requires reserves in order to meet its funding commitments in respect of its joint-funded projects and for the furtherance of its activities. AKF (UK) has established a policy whereby the level of its free reserves (being those funds not tied up in fixed assets and not part of designated funds or restricted funds) should be sufficient to sustain its administrative expenses for at least two months. AKF (UK) considers that the target level of free reserves at 31 December 2021 was £0.3m (2020: £0.4m) and anticipates that the target level of free reserves at 31 December 2022 will be approximately £0.3m. As of 31 December 2021, the total unrestricted general reserve of £0.4m (2020: £0.4m) represented actual free reserves.

AKF (UK) has established a policy whereby the level of its designated reserves for projects should be sufficient to meet commitments on an annual basis. At 31 December 2021, the total balance of designated funds was £207.5m (2020: £201.8m). In order to maintain the level of such reserves, AKF (UK) undertakes events to raise awareness of AKF (UK) which result in support, for example through donations and commitments on a long-term basis.

Designated funds held by AKF (UK) as part of its charitable activities for institutional development purposes totalled £181.3m (2020: £180.6m) of which £160.3m was represented by fixed assets.

Designated funds held by AKF (UK) as part of its charitable activities for social purposes totalled £22.3m (2020: £20.2m) of which £19.3m was represented by fixed assets.

Designated funds held by AKF (UK) as part of its charitable activities for social development purposes totalled £4.0m (2020: £1.0m) of which £0.0m was represented by fixed assets.

Going concern

The business model of the charity is such that its charitable activities are limited to those which are primarily funded by funds received from external donors. Other than commitments which are so funded, the charity therefore has no specific commitments and no committed costs beyond its fixed costs of operation which are detailed in note 5 and grants to be paid to partners from funds already received. The Council have reviewed forecasts covering the period of 12 months from the date of approval of these financial statements which indicate that the charity will have sufficient funds to meet its liabilities as they fall due for that period.

The Council have considered the implications of COVID-19 on those forecasts and consider that as a result of the charity's operating model explained above, even if no further funding is received in the 12 months period, the charity has sufficient cash reserves to pay all committed costs. As a result, the Council consider it appropriate for the financial statements to be prepared on a going concern basis.

Investment policy

The Council has the power to invest in such assets as it sees fit. The Council are supported in the exercise of these powers by the National Committee.

AKF (UK), having regard to its liquidity requirements and reserves policy, has operated a policy of keeping available funds in interest-bearing deposit accounts and seeking to achieve an appropriate rate of deposit interest. The Finance Committee reviews the placements on a regular basis and decides the appropriate placement periods on the basis of available funds and their intended use.

Future plans

In 2022, AKF (UK) will continue to develop a robust project pipeline with AKDN agencies, with emphasis on AKDN's significant and growing initiatives in civil society, culture, education, economic development, energy, health, livelihoods, climate adaptation and disaster preparedness. AKF (UK) will continue to pursue new partnerships and funding opportunities with bi-lateral and multi-lateral donors, especially to deepen its relationships with the European Commission, FCDO, France, Germany, and Switzerland among other potential partners. In recent years, AKF (UK) has established a diversified funding base through new partnerships with foundations and corporations, and this work will continue.

Report of the Council *(continued)*

An even more significant effort will be made to secure funding for AKF's Humanitarian Response in Afghanistan, including a greater focus on engaging the UN system in Afghanistan in order to access some of the significant funding that has been allocated by bilateral and multilateral funders to the UN. In addition, AKF (UK) will explore additional opportunities under discussion with the European Commission, France, Japan, Qatar and the UK, as well as several other donors.

Further in 2022, AKF (UK) will continue to transform our operations to meet the organisation's net zero goal by 2030 and harness AKDN agencies to go beyond net zero to net negative. AKF (UK) will support the countries we work in to do the same.

AKF (UK) works with field units of AKDN to support them in securing grants directly from European, Asian and multi-lateral donors. AKF (UK) has strengthened its London-based team to engage a wider range of partners, represent AKDN in public fora, and support the design and preparation of grant proposals and budgets. AKF (UK) coordinates extensively between field units and donors, requiring extensive communication and travel to the countries where AKDN is active. AKF (UK) also uses funds raised from private donations to match donor funding where there is a match-funding requirement.

AKF (UK) continues to promote awareness of the work of AKF (UK) and AKDN through presentations, events and exhibitions. Subject to restrictions on movement in response to the COVID-19 pandemic, this work is expected to grow in the future.

Principal Risks and Uncertainties

The Council, assisted by AKF (UK)'s National Committee and AKF (UK)'s CEO, assesses the major risks to which AKF (UK) is exposed on an on-going basis. On a monthly basis, the Finance Committee meets and reviews ongoing risks and compliance issues, in particular those related to its operations and finance. The major risks to which AKF (UK) is exposed are:

- Reliance on a small number of sizeable, traditional donors
- The potential impact of the global economic situation, political trends, and security crises on the availability of development funding for regions where AKDN is active
- Compliance violations or donor guidelines that are not adhered to by implementing agencies

The first and second risks are mitigated both by cultivating new donor relationships, diversifying opportunities, widening and deepening current relationships, and sustaining high levels of trust through consistent professional performance. The third risk is mitigated through enhanced communications with and monitoring of implementing partners, independent evaluations, donor assessment of programmes and other key information, strengthening grant agreements and monitoring requirements. AKF Geneva employs internal audits to monitor implementing partners; when necessary these also monitor grant compliance with donor guidelines and are shared with AKF (UK). AKF (UK) is satisfied that appropriate systems are in place to mitigate AKF (UK)'s exposure to major risks.

Statement on COVID-19

At the time of writing, the pandemic has reached a stage of generalised transmission, where levels of vaccination and natural immunity are combining to keep hospitalisation rates relatively low. This has led to a reopening in most countries where AKF (UK) engages and travels. At present:

- All AKF (UK) employees are allowed to return to the office, though most are choosing to work from home
- Social development activities and programmes are now able to proceed with virtually no pandemic disruption. Where possible we are still flexing programme activities to include activities related to COVID-19, or obtaining new funding for specific pandemic response and relief.
- We are not expecting any significant changes in our reserves levels due to COVID-19.

Disclosure of information to auditors

Each of the members of the Council at the date of approval of this Report of the Council and Strategic Report confirm that, so far as they are each aware, there is no relevant audit information of which AKF (UK)'s auditor is unaware; and the members of the Council have each taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that AKF (UK)'s auditor is aware of that information.

Report of the Council *(continued)*

Statement of the Council's responsibilities in respect of the Report of the Council and Strategic Report and the financial statements

The members of the Council are responsible for preparing the Report of the Council and Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Council to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The Council are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The Council are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Council and Strategic Report approved by order of the Council

Zahra Aga Khan

Zahra Aga Khan
Member of the Council

Date:

20/07/2022

Independent auditor's report to the members of the Aga Khan Foundation (United Kingdom)

Opinion

We have audited the financial statements of Aga Khan Foundation (United Kingdom) ('the charitable company') for the year ended 31 December 2021 which comprise the statement of financial activities, the balance sheets, the cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of the incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and;
- have been prepared in accordance with the requirements of the Company Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Other information

The Council are responsible for the other information contained within the Report of Council. The other information comprises the information included in the Report of Council, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of the Aga Khan Foundation (United Kingdom) (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

the information given in the Report of Council, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and the directors' report included within the Report of the Council have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Report of Council.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members of the Council's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Council's responsibilities

As explained more fully in their statement set out on page 9, the members of the Council (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Council determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Council are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of the Aga Khan Foundation (United Kingdom) (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and the Charities Act 2011 together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the group's and charitable company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the group and charitable company for fraud. The only other laws and regulations we considered in this context are General Data Protection Regulations, health and safety regulations and employment tax.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Council and other management and inspection of regulatory and legal correspondence, if any.

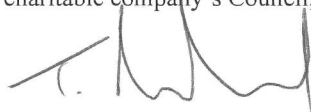
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the recognition of income, the recognition of grant expenditure, the valuation of the investment property and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance Committee about their own identification and assessment of the risks of irregularities, sample testing on income, grant expenditure and the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006, and to the charitable company's members of the Council, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's Council, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

Date: 10 AUGUST 2022

Statement of Financial Activities, including Income and Expenditure Account
for the year ended 31 December 2021

	Notes	Unrestricted Funds		Restricted Funds	Total 2021	Total 2020
		General Funds £000	Designated Funds £000	£000	£000	£000
Income from						
Grants, donations and legacies						
Social development programmes	6	-	6,236	31,551	37,787	37,926
Institutional development	6	1,560	10,839	-	12,399	12,096
Social and cultural centres		-	2,543	-	2,543	4,318
Communications and awareness raising		176	-	-	176	235
Core costs		1,709	-	-	1,709	1,977
Rental income		-	2,248	-	2,248	2,374
Investment income		-	8	-	8	50
Other income		-	41	-	41	13
Net gain/(loss) from foreign exchange		-	157	(9)	148	91
Total income		3,445	22,072	31,542	57,059	59,080
Expenditure						
Charitable activities						
Social development programmes	7	1,404	3,432	34,655	39,491	32,664
Institutional development	8	1,815	12,435	-	14,250	10,760
Social and cultural centres		27	491	-	518	1,379
Communications and awareness raising		176	-	-	176	235
Total expenditure		3,422	16,358	34,655	54,435	45,038
Net income / (expenditure) for the year		23	5,714	(3,113)	2,624	14,042
Transfers between funds		-	-	-	-	-
Net expenditure before other recognised gains and losses		23	5,714	(3,113)	2,624	14,042
Net gain/(loss) from investments	10	-	-	-	-	-
Net movement in funds		23	5,714	(3,113)	2,624	14,042
Reconciliation of funds						
Funds brought forward		361	201,835	13,157	215,353	201,311
Total funds carried forward	20	384	207,549	10,044	217,977	215,353

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included in the above.

The notes on pages 16 to 31 form part of these financial statements.

Balance Sheet
at 31 December 2021

	Notes	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9	155,179		156,094	
Investments	10	24,500		24,500	
			179,679		180,594
Current assets					
Debtors	11	1,228		934	
Cash at bank and in hand	18	41,729		35,740	
		42,957		36,674	
Creditors: amounts falling due within one year	13	(4,659)		(1,915)	
Net current assets			38,298		34,759
Total assets less current liabilities			217,977		215,353
Creditors: amounts falling due after one year			-		-
Net Assets			217,977		215,353
Share capital and reserves					
Called up share capital	21		-		-
Funds:					
Unrestricted funds					
General funds	20		384		361
Designated funds	20		207,549		201,835
Restricted funds	20		10,044		13,157
			217,977		215,353

The financial statements on pages 13 to 31 were approved by the Council and authorised for issue on and were signed on its behalf by:

20 July 2022

Zahra Aga Khan

Zahra Aga Khan

Member of the Council

Cash Flow Statement
for the year ended 31 December 2021

	<i>Notes</i>	2021 £000	2020 £000
Net cash inflow / (outflow) from operating activities	<i>17</i>	6,515	11,586
Cash flows from investing activities			
Interest received		8	50
Payments to acquire fixed assets		(534)	(686)
Increase/(decrease) in cash and cash equivalents	<i>18</i>	5,989	10,950
Net cash at 1 January	<i>18</i>	35,740	24,790
Net cash at 31 December	<i>18</i>	41,729	35,740

The notes on pages 16 to 31 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Principal accounting policies

AKF (UK) is a charitable company limited by guarantee, company registration no 01100897, registered address 3 Cromwell Gardens, London SW7 2HB. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to AKF (UK)'s financial statements.

Basis of preparation

The charitable company is considered to be a public benefit entity. The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (SORP), the Companies Act 2006 and applicable Accounting Standards, FRS 102.

The members of the Council have prepared the financial statements on a going concern basis with no material uncertainties, which they consider is appropriate for the following reasons.

The business model of the charity is such that its charitable activities are limited to those which are primarily funded by funds received from external donors. Other than commitments which are so funded, the charity has no specific commitments and no committed costs beyond its fixed costs of operation which are detailed in note 5 and grants to be paid to partners from funds already received. The Council have reviewed forecasts covering the period of 12 months from the date of approval of these financial statements which indicate that the charity will have sufficient funds to meet its liabilities as they fall due for that period.

The Council have considered the implications of COVID-19 on those forecasts and consider that as a result of the charity's operating model explained above, even if no further funding is received in the 12 months period, the charity has sufficient cash reserves to pay all committed costs. As a result, the Council consider it appropriate for the financial statements to be prepared on a going concern basis.

Funds

General funds are unrestricted funds available for use at the discretion of the Council in furtherance of the general objectives of AKF (UK) and which have not been designated for other purposes. Designated funds are unrestricted funds earmarked by the Council for social development programmes, institutional development and for the purpose of purchasing and developing properties held by AKF (UK) as part of its charitable activities for social purposes. Restricted funds are funds earmarked for specific activities by contractual agreement with donor agencies.

Tangible fixed assets

Land and buildings and other tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Properties received by way of donations are stated at a reasonable market value to AKF (UK) at the time of the donation. Fixed assets with an acquisition cost of less than £3,000 are not capitalised. Depreciation is provided on all tangible fixed assets (with the exception of land) at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives as follows:

Freehold buildings	1%
Leasehold buildings	1%
Property Improvements	5%
Property fixtures and fittings	15%

Investment properties

Investment properties are carried at fair value supported by external valuers and derived from the current market rents and yields for comparable real estate, adjusted if necessary for differences in nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Financial Activities.

Operating leases

Rentals applicable to operating leases are included in the Statement of Financial Activities on a straight-line basis over the lease term.

Notes (continued)

1 Principal accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains or losses are included in the statement of financial activities.

Pension costs

AKF (UK) operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. Payments made to the fund and charged in these accounts as part of employment costs comprise current contributions.

Income

Grants, donations and legacies receivable are from institutional donors, private donors and AKF Geneva. Donations and legacies are recognised when they become receivable and tax reclaimed on gift aid donations is accounted for in the period of the associated gift. Grants receivable represent those grants where AKF (UK) has signed the contract with the funding agency and accepts responsibility for their application: these are recognised when the grant conditions are met and when AKF (UK) becomes entitled to each instalment of the grant funding. Entitlement to grant income is considered to be at the earlier point of income being receivable or eligible expenditure being incurred. Rental income is receivable from commercial unit tenants and third party property management organisations and are recognised when they become receivable.

Expenditure

Grants made are recorded on a commitment basis when there is a signed agreement or other unconditional commitment made to a grant recipient and all other expenditures are recorded on an accruals basis. Charitable expenditure is allocated to the activities of the related fund. Expenditure under general funds is incurred in carrying out general operational activities undertaken by AKF (UK). Expenditure under designated funds is incurred to provide support to social development and institutional development projects and in respect of properties held by AKF (UK) as part of its charitable activities for social purposes. Expenditure under restricted funds is allocated specifically to the related projects. Support costs are allocated to the relevant charitable activity on the basis of the proportion of employee time spent on each activity.

Accounting estimates and key judgements

In the application of the AKF (UK)'s accounting policies, judgements, estimates and assumptions about the carrying value of assets and liabilities are made. These estimates, judgements and assumptions are made based on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance. The key areas of judgement included in the financial statements are summarised below:

- (i) Valuation of investment properties - Investment properties are carried at fair value supported by external valuers as disclosed in note 10.
- (ii) Potential impairment of fixed assets - Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.
- (iii) Depreciation of fixed assets - Fixed assets are depreciated at rates calculated to write off the cost over their expected useful economic lives

2 Members of the Council's emoluments

No emoluments were paid to nor reimbursement of expenses received by the members of the Council for their duties (2020: £0).

Notes (continued)

3 Employee information

	2021 £000	2020 £000
Salaries and wages	3,292	3,007
Social security costs	357	334
Pension costs	270	241
Other benefits	96	79
	<u>4,015</u>	<u>3,661</u>

Senior Management personnel earned total salary and benefits of £641k (2020: £585k) and pension contributions totalling £52k (2020: £49k). The average number of staff employed by AKF (UK) during the year is:

	2021 Number	2020 Number
Communication	2	3
Finance and Administration	8	7
Grant administration	18	16
Victoria Hall Management	7	7
Aga Khan Centre Management	7	7
AKDN Programmes	14	13
	<u>56</u>	<u>53</u>

Employees earning above £60,000

	2021 Number	2020 Number
£60,001 - £70,000	3	1
£70,001 - £80,000	2	2
£80,001 - £90,000	3	3
£90,001 - £100,000	3	2
£100,001 - £110,000	1	1
£130,001 - £140,000	1	-
£140,001 - £150,000	-	1
£150,001 - £160,000	1	1
£180,001 - £190,000	1	-
£190,001 - £200,000	-	1
£280,001 - £290,000	1	1

Pension contribution totalling £161k were made for these employees during the year (2020: £134k).

4 Expenditure

Expenditure for the year is stated after charging the following costs.

	2021 £000	2020 £000
Depreciation (note 9)	2,359	3,259
Audit fee – Crowe UK audit of these financial statements	33	32
Audit fee - KPMG	-	(16)
Auditor's remuneration for non-audit services	<u>6</u>	<u>18</u>

The £6k disclosed above for non-audit fees includes fees relates to a VAT review, corporation tax computation and a project audit. The audit fee for the year ending 31 December 2021 was £27,500 excluding VAT.

Notes (continued)

5 Support costs

The support costs of AKF (UK) consist of three cost elements. Support costs are allocated on a basis consistent with the use of resources and the calculation of allocation is determined by the percentage of time spent on each category by the relevant staff.

	Human Resources £000	Office Expenses & Information Technology £000	Travel Expenses £000	Total 2021 £000	Total 2020 £000
Unrestricted funds					
Social development programmes	1,042	342	20	1,404	1,280
Institutional development	195	59	1	255	682
Social and cultural centres	20	6	1	27	40
Communications and awareness raising	133	40	3	176	235
	1,390	447	25	1,862	2,237

6 Grants and donations received

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Social development programmes				
European Commission (including ECHO)	-	11,738	11,738	15,028
UK Foreign, Commonwealth & Development Office (FCDO)	-	8,240	8,240	10,019
Aga Khan Foundation (USA)	5,535	-	5,535	2,896
KfW	-	4,127	4,127	3,063
Swiss Agency for Development and Cooperation (SDC)	-	2,427	2,427	-
Royal Norwegian Ministry of Foreign Affairs	-	1,148	1,148	1,608
The Lego Foundation	-	930	930	216
Jacobs Foundation	-	797	797	672
Vitol Foundation	-	500	500	396
Porticus	-	418	418	186
The Wellspring Foundation	-	400	400	480
German Federal Foreign Office	-	281	281	309
Johnson & Johnson	-	-	-	1,617
Other Donations	701	545	1,246	1,436
	6,236	31,551	37,787	37,926

Institutional development

Donations in commemoration of His Highness' Diamond Jubilee	3,527	-	3,527	3,895
Donations designated to the Aga Khan University	1,887	-	1,887	1,765
Donations designated to Kings Cross operational costs	1,056	-	1,056	967
Donations designated to the Aga Khan Schools	412	-	412	20
Donations designated to The Institute of Ismaili Studies	199	-	199	237
Other Donations	5,318	-	5,318	5,212
	12,399	-	12,399	12,096

Notes *(continued)*

7 Expenditure on social development programmes

The following tables show grants paid to institutions by country

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Afghanistan				
FCDO GEC - STAGES II - Aga Khan Foundation, Afghanistan	-	4,632	4,632	8,152
EC Strengthening COVID-19 Response in Afghanistan - Aga Khan Foundation, Afghanistan	-	4,464	4,464	-
FCDO - Leave No Girl Behind - Aga Khan Foundation, Afghanistan	-	2,176	2,176	955
EC Improve Participatory Management and Efficiency of Rangelands and Watersheds - Aga Khan Foundation, Afghanistan	-	1,956	1,956	2,468
Girls and Science - Aga Khan Foundation, Afghanistan	-	180	180	92
Improving Educational Opportunities in the Cross-Border Areas - Aga Khan Foundation, Afghanistan	-	99	99	-
Forest Restoration to Enhance Ecosystem Services in Afghanistan - Aga Khan Foundation, Afghanistan	48	-	48	-
Schools 2030 Phase II - Aga Khan Foundation, Afghanistan	-	32	32	-
Schools 2030 - Aga Khan Foundation, Afghanistan	-	-	-	254
Afghanistan Quality Learning - Aga Khan Foundation, Afghanistan	-	-	-	239
Australia Afghanistan Community Resilience Scheme - Aga Khan Foundation, Afghanistan	-	-	-	160
Preservation of Endangered Languages in Afghanistan's Badakhshan - Aga Khan Foundation, Afghanistan	(10)	-	(10)	11
Total for Afghanistan programmes	38	13,539	13,577	12,331
Egypt				
EC Improving Local Development Dynamics in Aswan - Aga Khan Foundation, Egypt	65	-	65	-
Creating Access to Cairo's Islamic Cultural Heritage - Aga Khan Cultural Services, Egypt	25	10	35	305
Women in Agriculture - Aga Khan Foundation, Egypt	-	-	-	5
Strengthening the Capacity and Role of Civil Society Organisations in Egypt (SCR-CSO) - Aga Khan Foundation, Egypt	-	-	-	4
Total for Egypt programmes	90	10	100	314

Notes (continued)

7 Expenditure on social development programmes (continued)

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Cross-Border				
Supporting Cooperation and Opportunities for Regional Economic Development (SCORED) - Aga Khan Foundation Afghanistan, Aga Khan Foundation Tajikistan, AP Tajikistan and Mountain Societies Development Support Programme	473	3,315	3,788	1,281
Shugnan VI Energy Cross Border Project Phase I - Pamir Energy	-	3,449	3,449	3,624
Batken-Sughd Cross-Border Development Project - Aga Khan Foundation, Kyrgyz Republic and Aga Khan Foundation Tajikistan	26	334	360	250
Shugnan VII Cross-Border Energy Project - Pamir Energy	-	264	264	69
Establishment of a fibre processing unit with dehairing and storage in cross-border areas - Aga Khan Foundation, Tajikistan	-	251	251	186
All-weather access road for cross-border tourism areas - Aga Khan Foundation, Pakistan	-	211	211	101
Improved Governance of the Natural Park in the Wakhan Corridor - Aga Khan Foundation, Pakistan and Aga Khan Agency for Habitat, Afghanistan	-	208	208	-
Improved Road Infrastructure and Market Access in Immit Valley - Aga Khan Foundation, Pakistan and Aga Khan Agency for Habitat, Afghanistan	-	151	151	72
Kwahan Integrated Development - Aga Khan Foundation, Afghanistan	-	110	110	-
Promoting Access to Educational Institutions in the Cross-Border Districts - Aga Khan Foundation, Afghanistan	-	87	87	236
Cross-Border Commission Integrated Infrastructure - Aga Khan Foundation, Afghanistan	-	-	-	365
Rushan I Cross Border Energy Project - Pamir Energy	-	-	-	214
Cross Border School Building Construction - Aga Khan Foundation, Afghanistan	-	-	-	148
Total for Cross-Border programmes	499	8,380	8,879	6,546

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
East Africa				
EC AKDN Regional Eastern Africa COVID-19 Response Partnership - Aga Khan Foundation, East Africa	-	3,346	3,346	-
Schools 2030 - Aga Khan Foundation, East Africa	21	660	681	526
AKU-SONAM Nursing Scholarships - Aga Khan University, East Africa	-	466	466	-
In Their Hands - Aga Khan Foundation, East Africa	350	-	350	34
Enhancing the Competitiveness of Smallholder Rice Farmers in Morogoro - Aga Khan Foundation, East Africa	127	-	127	282
Madrasa Resource Centre and Early Childhood Development in East Africa - Aga Khan Foundation, East Africa	-	99	99	-
Play our Part Initiative - Aga Khan Foundation, East Africa	-	84	84	-
Linking Community-based Saving Groups to Formal Financial Services in the West Nile region of Northern Uganda - AKF Uganda	18	28	46	18
Strengthening Resilience of Frontline Health Workers - Aga Khan University	-	32	32	152
Oncology - Comprehensive Cancer Project - Aga Khan Health Services, Tanzania	-	-	-	616
Nursing and Midwifery Platform - Aga Khan University	-	-	-	476
Horticultural Value Chain Development - Aga Khan Foundation, East Africa and Tanzania Horticultural Association	-	-	-	80
Kenya Global Opportunity Youth Initiative (GOYI) - Aga Khan Foundation, East Africa	-	-	-	56
Improving Social and Economic Opportunities for Youth in Northern Kenya - Aga Khan Foundation, East Africa and Islamic Relief Kenya	-	-	-	21
Total for East Africa programmes	516	4,715	5,231	2,261

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
India				
Hygiene & Behaviour Change Coalition for COVID-19 control - Aga Khan Foundation, India	-	585	585	288
Supporting Local Authorities for Accountable, Responsive and Transparent Systems for Solid Waste Management - Aga Khan Foundation, India and Gram Swarajya Samiti Ghose (GSSG)	-	162	162	7
Establishment of COVID 19 testing facilities - Prince Aly Khan Hospital, Mumbai	-	98	98	80
Improving Water and Sanitation Infrastructure and Hygiene Education in 20 Schools of Bihar and Uttar Pradesh - Aga Khan Foundation, India	-	11	11	44
Strengthening the AKF Lehar Programme - Aga Khan Foundation, India	-	3	3	19
Schools 2030 - Aga Khan Foundation, India	-	3	3	-
Strengthening New Pathways for Youth Education, Empowerment and Employment in India and Kenya - Aga Khan Foundation, India	-	-	-	327
Total for India programmes	-	862	862	765
Kyrgyz Republic				
Schools 2030 - Aga Khan Foundation, Kyrgyz Republic	-	113	113	170
Economic Recovery Kyrgyzstan COVID-19 - Aga Khan Foundation, Kyrgyz Republic	-	67	67	-
EC Strengthening civil society organisations' and youth's participation in local socio-economic development - Mountain Societies Development Support Programme, Kyrgyz Republic	43	-	43	-
Integrated Rural Development Programme - Mountain Societies Development Support Programme, Kyrgyz Republic	19	-	19	-
Accelerate Prosperity in Central and South Asia - Mountain Societies Development Support Programme, Kyrgyz Republic	-	-	-	192
Sustainable Winter Tourism Development Project (Phase I) - Aga Khan Foundation, Kyrgyz Republic	-	-	-	16
Total for Kyrgyz Republic programmes	62	180	242	378
Madagascar				
Madagascar Innovations Leverage for Climate Adaptation (MILCA) - Aga Khan Foundation, Madagascar	150	(78)	72	299
SPEEDRICE: "Scaling-up, Promoting and Expanding Effortless Direct-seeding RICE permaculture" - Aga Khan Foundation, Madagascar	-	35	35	-
Total for Madagascar programmes	150	(43)	107	299

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Mali				
Partenariat pour le Renforcement de la Résilience à l'Insécurité Alimentaire et Nutritionnelle au Nord Mali (PRIAN) - Aga Khan Foundation, Mali	-	-	-	59
Total for Mali programmes	-	-	-	59
Mozambique				
Strengthening Social Cohesion and Resilience to Radicalization in Cabo Delgado - Aga Khan Foundation, Mozambique	-	325	325	629
JUNTOS III - Aga Khan Foundation, Mozambique	72	1	73	107
Total for Mozambique programmes	72	326	398	736
Pakistan				
Critical Preparedness, Readiness and Response Actions for Coronavirus Disease (COVID-19) Pandemic in Gilgit-Baltistan and Chitral - Aga Khan Foundation, Pakistan	-	1,505	1,505	1,612
Schools 2030 - Aga Khan Foundation, Pakistan	-	18	18	193
Accelerate Prosperity in Central and South Asia - Aga Khan Rural Support Programme, Pakistan	-	-	-	840
Promoting Integrated Mountain Safety in Northern Pakistan (PIMSNP) - Aga Khan Foundation, Pakistan	-	-	-	602
Strengthening Preparedness, Readiness and Response Actions for Covid-19 - Aga Khan Foundation, Pakistan	-	-	-	72
Total for Pakistan programmes	-	1,523	1,523	3,319
Portugal				
Capacity Building of Senior Caregivers - Aga Khan Foundation, Portugal	-	182	182	-
Schools 2030 - Aga Khan Foundation, Portugal	-	39	39	231
EC Social Impact Bonds Literacy Programme - Aga Khan Foundation, Portugal	12	-	12	-
Total for Portugal programmes	12	221	233	231
Switzerland				
Schools 2030 - Aga Khan Foundation, Geneva	-	-	-	84
Total for Switzerland programmes	-	-	-	84

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Syria				
Salamieh District Multi-Sectoral Humanitarian Assistance (MSHA) - Aga Khan Foundation, Syria	-	367	367	-
Total for Syria programmes	-	367	367	-
Tajikistan				
Accelerate Prosperity in Central and South Asia - Aga Khan Foundation, Tajikistan & University of Central Asia, Tajikistan	928	2,087	3,015	105
Integrated Health and Habitat Improvement (IHHI) Rasht - Aga Khan Foundation, Tajikistan	613	-	613	417
Economic Recovery Tajikistan COVID-19 - Aga Khan Foundation, Tajikistan	-	336	336	-
Critical Infrastructure to Contribute to Stability and Peace in Khorog - Aga Khan Foundation, Tajikistan	-	297	297	1,170
Schools 2030 - Aga Khan Foundation, Tajikistan	-	113	113	229
Improving livelihoods and food security through sustainable Natural Resource Management - Mountain Societies Development Support Programme Tajikistan, ACTED, Non-Commercial Cooperative Sarob and CAMP Kuhiston	57	-	57	158
Safe Drinking Water and Sanitation Management in Tajikistan (SWSMT) - Aga Khan Foundation, Tajikistan	49	-	49	71
Supporting Accelerated Growth for Entrepreneurship (SAGE) - Aga Khan Foundation, Tajikistan	43	-	43	49
Shugnon Health Care Center - Aga Khan Foundation, Tajikistan	16	-	16	15
Rushon Health Care Center - Aga Khan Foundation, Tajikistan	13	-	13	15
Darvoz Health Care Center - Aga Khan Foundation, Tajikistan	13	-	13	15
Khorog Rehabilitation Youth Centre - Aga Khan Foundation, Tajikistan	9	-	9	9
Total for Tajikistan programmes	1,741	2,833	4,574	2,253
United Kingdom				
Schools 2030 - Vera Solutions, Idara-i-Talim-o-Aagahi Public Trust, Eklavya Foundation, Right to Play International, University of California, Berkeley, Nazarbayev University, HundrEd & Oxford MeasurEd	41	294	335	15
Disaster Risk Insurance Phase 2 - Global Parametrics & Aga Khan Agency for Habitat	-	171	171	-
Development of Earthquake model - Global Parametrics	-	-	-	42
Total for United Kingdom programmes	41	465	506	57
Total Grants made for social development	3,221	33,378	36,599	29,633
Non-Grant Expenditure	1,615	1,277	2,892	3,031
Total Expenditure for social development	4,836	34,655	39,491	32,664

Notes (continued)

8 Expenditure on institutional development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2021 £000	Total 2020 £000
Aga Khan Foundation Geneva, various projects	2,958	-	2,958	-
Aga Khan University Foundation various projects	2,016	-	2,016	1,836
The Institute of Ismaili Studies for their educational programmes	230	-	230	1,142
Aga Khan Academies for their educational programmes	416	-	416	17
Aga Khan Agency for Habitat programmes	1	-	1	-
Total Grants made for institutional development	5,621	-	5,621	2,995
Non-Grant Expenditure	8,629	-	8,629	7,765
Total Expenditure for institutional development	14,250	-	14,250	10,760

9 Tangible fixed assets

	Freehold Land & Buildings £000	Long Leasehold Land & Buildings £000	Property Improvements £000	Property Fixture and fittings £000	Assets Under Construction £000	Total £000
Cost						
At 1 January 2021	34,052	133,935	1,418	10,890	14	180,309
Additions	910	-	110	31	393	1,444
Disposals	-	-	-	-	-	-
At 31 December 2021	34,962	133,935	1,528	10,921	407	181,753
Depreciation						
At 1 January 2021	16,555	1,266	1,275	5,119	-	24,215
Charge for the year	(238)	1,010	13	1,574	-	2,359
Disposals	-	-	-	-	-	-
At 31 December 2021	16,317	2,276	1,288	6,693	-	26,574
Net book value						
At 31 December 2021	18,645	131,659	240	4,228	407	155,179
At 31 December 2020	17,497	132,669	143	5,771	14	156,094

All assets are held for charitable purposes. Freehold buildings has negative depreciation for the year due to the realignment of residual values across the property portfolio.

Notes (continued)

10 Investments

Investment in shares

AKF (UK) owns one ordinary share of £1 (1% of the issued and paid up share capital) in The Institute of Ismaili Studies (2020: £1), which is incorporated in England.

Investment in property

Investment property comprises Fenman House in the Kings Cross estate that is leased to a third party. Changes in fair values are recognised as investment gains or losses in the Statement of Financial Activities.

The historical cost of this property was £20.6m and the most current valuation was carried out in May 2021 by a MRICS independent valuer of Knight Frank LLP. When arriving at their valuation, they considered sales from within the King's Cross Estate in order to compare recent sales data. The independent valuation, recent market data and recent market trends have all been taken into account by the Council in their decision to keep the balance sheet value at £24.5m

	2021 £000	2020 £000
Balance at 1 January	24,500	24,500
Acquisitions	-	-
Change in Fair Value	-	-
Balance at 31 December	24,500	24,500

11 Debtors

	2021 £000	2020 £000
Prepayments and accrued income	799	555
Debtors with other AKDN Agencies	379	370
Other debtors	50	9
	1,228	934

Debtors with other AKDN Agencies includes £350k with AKF Geneva (2020: £76k), £0k with Aga Khan Academies (2020: £129k), £0k with Aga Khan Education Services (2020: £66k), £0k with AKDN (2020: £98k) and £29k with Aga Khan Health Services (2020: £0k).

Notes (continued)

12 Lease commitments as a lessor

AKF (UK) has three operating lease contracts in place. The first relates to Fenman House in the Kings Cross estate that is leased to a third party. The lease is for 4 years until 31 January 2023 with annual rents indexed to RPI.

In addition, there are contracts in place for two commercial units, the first in Aga Khan Centre and the second in Victoria Hall. The unit in Aga Khan Centre is leased to a third party and the contract runs until 28th September 2039. The unit at Victoria Hall is leased to a separate third party and runs until the 3rd September 2037. AKF (UK) has future minimum lease payments under non-cancellable operating leases for each of the following periods

	2021 £000	2020 £000
Receivable in less than 1 year	974	821
Receivable between 1 and 5 years	1,606	1,822
Receivable in greater than 5 years	240	664
	<u>2,820</u>	<u>3,307</u>

13 Creditors

	2021 £000	2020 £000
Amounts falling due within one year		
Accruals and deferred income	2,930	1,385
Grants Payable	1,247	330
Trade creditors	289	47
Payroll taxes	109	106
Other creditors	84	47
	<u>4,659</u>	<u>1,915</u>

Grants payable (all falling due within one year)

	£000
As at 1 January	330
Grants committed in the year	35,969
Grants paid in the year	(35,052)
	<u>1,247</u>

As at 31 December

Deferred income

	£000
As at 1 January	831
Amounts released to income	(831)
Amounts due within one year	1,534
	<u>1,534</u>

As at 31 December

Income has been deferred where it has been received in advance of contractual obligations with regards to rental income and grant income. All deferred income carried forward is released in the subsequent period.

Notes (continued)

14 Future grant commitments

Future grant commitments related to work carried out by AKF(UK)'s implementing partners amount to £47,957,712. These represent grant agreements signed before 1st January 2022 for payment in future years. All commitments are funded by institutional grants, are made in connection with institutional grants for the programmes referred to in Note 6 and there are no performance-related conditions attached to these commitments.

15 Taxation

AKF (UK) is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

16 Pension scheme

AKF (UK) operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by AKF (UK) to the scheme and amounted to £270k (2020: £264k), £39k was payable at 31 December 2021 (2020: £34k).

17 Reconciliation of net income to net cash inflow from operating activities

	2021 £000	2020 £000
Net movement in funds	2,624	14,042
Depreciation on tangible fixed assets	2,359	3,259
(Gain) / Loss on Investment	-	-
Gift in kind donations capitalised	(910)	(3,742)
Interest receivable	(8)	(50)
(Increase) / decrease in debtors	(294)	(35)
Increase / (decrease) in creditors	2,744	(1,888)
Net cash inflow / (outflow) from operating activities	6,515	11,586

18 Cash and cash equivalents

	2021 £000	2020 £000
Changes in the year		
At 1 January	35,740	24,790
Net cash inflow/(outflow)	5,989	10,950
At 31 December	41,729	35,740

Notes (continued)

19 Capital commitments

Conditional capital commitments

There were no material capital commitments as at 31 December 2021.

20 Reconciliation of funds

	Unrestricted Funds		Restricted	2021	2020
	General	Designated	Funds	Total	Total
	Funds	Funds	Funds	£000	£000
	£000	£000	£000		
Balance at 1 January	361	201,835	13,157	215,353	201,311
Income	3,445	21,915	31,551	56,911	58,989
Expenditure	(3,422)	(16,358)	(34,655)	(54,435)	(45,038)
Recognised Gains / (Losses)	-	157	(9)	148	91
Balance at 31 December	384	207,549	10,044	217,977	215,353
Represented by:					
Fixed assets	-	179,679	-	179,679	180,594
Current assets	674	29,736	12,547	42,957	36,674
Current liabilities	(290)	(1,866)	(2,503)	(4,659)	(1,915)
	384	207,549	10,044	217,977	215,353

General funds are held to provide cashflow reserves and working capital. Restricted funds relate to social development projects and will be spent in 2022. Designated funds represent funds earmarked by the Council for the following purposes:

	Social	Institutional	Social	2021	2020
	Development	Development		Total	Total
	£000	£000	£000	£000	£000
Balance at 1 January	983	180,612	20,240	201,835	195,499
Income	6,239	13,098	2,578	21,915	21,885
Expenditure	(3,432)	(12,435)	(491)	(16,358)	(15,640)
Recognised Gains / (Loses)	157	-	-	157	91
Transfer of funds	(9)	9	-	-	-
	3,938	181,284	22,327	207,549	201,835
Represented by:					
Fixed assets	-	160,333	19,346	179,679	180,594
Current assets	3,938	22,745	3,053	29,736	22,341
Current liabilities	-	(1,794)	(72)	(1,866)	(1,100)
	3,938	181,284	22,327	207,549	201,835

Social Development funds will be used as co-financing for projects in 2022. Institutional Development funds are mainly fixed assets and cash reserves will be used to support AKDN institutions and mostly used in 2022. Social funds are mainly fixed assets and the cash reserves are held to develop these properties as required.

Notes *(continued)*

21 Called up share capital

	2021	2020
	£	£
Authorised, issued and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

According to the Memorandum of Association the liability of the members is limited. Every member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up, such amount not exceeding £1. In addition, the charitable company is precluded from making any distributions to members either by way of a dividend or on a winding up.

22 Ultimate holding company

The ultimate holding company is regarded by the members of the Council as being Aga Khan Foundation Geneva, which is incorporated in Switzerland (UID - CHE-100.845.311) and beneficially owns one hundred percent of the shares of AKF (UK).

23 Related party transactions and other AKDN agencies

There have been no related party transactions between AKF (UK) and the members of the Council in 2021 (see note 2). Transactions with AKF Geneva and agencies within the Aga Khan Development Network consist of the following:

- costs associated with projects funded by other AKDN agencies (note 11); and
- grants and donations of funding for projects, programmes and other activities supported by AKF (UK) (notes 6, 7 and 8).